

SILVER.

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SPEECH

OF

HON. TOM L. JOHNSON,

OF OHIO,

IN THE

HOUSE OF REPRESENTATIVES,

THURSDAY, AUGUST 24, 1893.

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WASHINGTON.

1893.



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The House having under consideration the bill (H. R. 1) to repeal a part of an act, approved July 14, 1830, entitled "An act directing the purchase of silver bullion and the issue of Treasury notes thereon, and for other purposes"—

Mr. JOHNSON of Ohio said:

Mr. SPEAKER: I shall vote for the Wilson bill—for the unconditional repeal of the purchasing clause of the Sherman act.

I am far from charging to this measure the difficulties from which the country is suffering, the breakdown of credit, the paralysis of business, the stoppage of industry, now filling the country with idle men, and imposing upon our people losses and suffering as real and as widespread as though we had been visited by a great convulsion of nature or a destructive war.

Nor do I believe that its mere repeal can bring again prosperity—even that moderate prosperity to which we are in normal times accustomed. The cause of such recurring depressions of business, such spasms of paralysis in the interlaced machinery of production and exchange, is to my mind not to be found in our financial legislation, bad as that has been, but is more deeply rooted.

Our disturbed monetary condition is rather a symptom than a cause—an index or expression of evil and unnatural conditions, rather than their source. The bottom cause lies in that monopolization of the materials of nature, which goes on all around us with an intensity accelerating with every improvement; that speculation in the value of land—the indispensable requisite of all production and of all life—which, with every addition to productive power, piles up fictitious values, on which labor and capital are called to pay as the condition of their exertions.

Important as the money question may be, its importance is as nothing when compared with the question of taxation. Money at most is a mere instrument of exchange, a mere tool for the transfer of values. Whether there is much money or little money, whether we estimate commodities in dollars or in cents, will nowise affect the fact that where labor is burdened with taxation and monopoly is exempt, where a few own the land and the many must pay directly or indirectly a tribute for living or working in a country they call their own, the few must be rich and the many poor, and labor—the mere power to work without the right to anything to work upon—must be driven by cut-throat competition to look upon the mere opportunity of work as a privilege.

Imagine, if you will, the entire absence of money, and the making of exchanges by barter, and we would, under present conditions, witness the same conjunction of wealth and want, the same phenomena of periodical hard times. What change in the amount of money or character of money could prevent the wealth created by Irish tenants from being drained across the Irish sea to the absentee owners of Irish land? What change in the amount or character of our currency could prevent wealth created in our own West being drained to the East as long as so many of the toilers of the West are but tenants or mortgagees of landowners who live in the East or in Europe? What mere monetary change would alter the law under which here in the national capital we may see that everything that adds to the population and wealth of the city of Washington, every symptom of improvement and growth, is discounted in advance by the addition of millions and millions to the capitalization on which the owners of land can demand tribute from those who live here or work here? Nevertheless, the money question is an important one—next to that of taxation the most pressing business before this Congress, and the full discussion that has been forced upon the country and upon us must be productive of good.

I am opposed to the storing up of silver by the Government, as I would be opposed to the storing up of wheat, or wool, or whisky, and just as I am opposed to the subtreasury proposal of

the Populist, so I am opposed to this subtreasury act of the silver producers. It is a taxing of the many for the benefit of a few—a prostitution of governmental powers to a purpose with which government should have no concern. It is a step on the road which must inevitably destroy government of the people, by the people, for the people, and make it a government of plutocrats, by plutocrats, and for plutocrats—a form of government more corruptive and more degrading than that of hereditary aristocrats or rulers by right divine.

It is because we have swerved from the Democratic principle of simple government and equal rights, because we have allowed the very gifts of God to be monopolized, because we have abused the power of legislation to affect prices and create special privileges and manacle trade with restrictions that the political and social evils of which we are all conscious have come upon us.

Here is the reason why rings control our cities and tramps infest our roads. It is time that we should set our faces unhesitatingly and steadily against all special privileges, no matter what be their form, and against every attempt to wrest the powers of government beyond their proper sphere, no matter by what plausible pretense it is supported. Nor do we lack the mandate of the people. The popular verdict of last year meant but this, and I for one shall vote for the repeal of the Sherman act without an "if or an and," just as I would vote for the abolition of all protective duty, or, better still, for all taxes on production or consumption of whatever kind.

But the real opposition to the repeal of the purchasing clause of the Sherman act is that popular discontent with the conditions of labor, which, feeling that somehow or other the rich are growing richer and the poor poorer, turns to an extension of the volume of money for relief. It is this feeling which seeks to impose as a condition of repeal the free and unlimited coinage of silver at some ratio.

If I could see in free silver what has been so eloquently claimed for it by its advocates, I would gladly join their ranks. If it would really cure, or even in some degree tend to cure, the inequalities manifest on every side, producing the millionaire and

the tramp; if it would stop, or even tend to stop, the closing of factories and the forcing of able-bodied, willing men into idleness; if there would be in it any remedy for the apparently overstocked labor market and for the hardships that the producers of this country are now suffering from, it would be our duty, even though it worked some injustice to the rich, to adopt it as a measure calculated to bring greater comfort to that class of society which, in my judgment, bears the heaviest burden.

But what does the free and unlimited coinage of silver mean? It does not mean, as its advocates seem to suppose, the concurrent coinage and use of both gold and silver. It can only mean the concurrent coinage and use of both metals when and during such time as the legal ratio in the value of the two metals shall coincide with the commercial ratio. It is not the choice between bimetallism and monometallism which is offered to us, but the choice between gold monometallism and silver monometallism.

The free coinage of silver is urged upon us under the cry of bimetallism, but that cry is but a delusion and a snare. The free coinage of silver under any of the ratios proposed would at the present commercial ratio be equivalent to the legislative prohibition of the coinage and use of gold. It would drive from our mints, and from common use as money, gold and the representatives of gold, and that by virtue of a natural law more potent than legislative fiat.

The monetary systems of the civilized world are measured by a fixed quantity of some commodity, gold or silver, but nowhere for any length of time where free coinage of both is permitted, by both metals at once. Platform declarations, statutory provisions, constitutional requirements, penal laws, the most lavish exertions of the power of supreme monarchs, have never been able to defy this natural law. The undervalued metal will not circulate under equal free-coinage privileges.

There is no need of recalling the history of the world. Our own history proves this. From 1792 to 1834 silver was our unit of value, gold being undervalued by the established ratio of coinage. From 1834 to 1861 gold was our unit because silver was

undervalued, and except worn, abraded, and foreign coins there was practically no silver in circulation at this time. So scarce was silver coin during the latter part of this period that in 1853 Congress purposely debased the minor silver coins by reducing the quantity of silver in them. From 1861 to 1879 the reign of gold as a measure of value was interrupted by the depreciation of our paper money. From that period until to-day it has again been the unit.

Mr. SNODGRASS. Do I understand the gentleman then to concede that the country is to be reduced to a single gold standard?

Mr. JOHNSON of Ohio. I understand that the country has been upon a single gold standard since 1834, except during the period of depreciated paper money; and I for one am not willing now to make a change. You offer no reason for it. You tell us that prices will go up. What of it? We are not here to deal with prices. We are here to maintain a unit (or if it were an original proposition, to select one) which will operate honestly as between these two conflicting classes. It is our duty to have a unit of value which will be fair to both debtor and creditor.

Mr. SNODGRASS. I wish to ask the gentleman whether, when the public debt was funded in 1870, that debt was not made payable in the coin of the country, both gold and silver, and whether, if we change the medium of payment now and adopt a single gold standard, we do not appreciate the claim of the creditor while we depreciate the ability of the people to pay.

Mr. JOHNSON of Ohio. If you ask me whether a great injury was then committed, I answer yes. But can you, here and now, complaining of that wrong, ask us to do a similar injury to another class?

Mr. SNODGRASS. We simply ask that the contract shall be complied with.

Mr. JOHNSON of Ohio. That is a transaction of twenty years ago. We are not responsible for what then occurred. I think it is true that when the change was then made from a depreciated paper money to the gold standard there was inflicted a great injury upon an immense class. But we can not correct that by

now doing a like injury to another class. And you who complain ought to be the last to come here and ask us to scale down debts—to adopt a standard of value that will injure the creditor classes as we admit the debtor classes were injured then.

There is only one way to even momentarily obtain free coinage of both gold and silver at the same time, and that is to adopt a legal ratio that would conform to the commercial ratio—a matter as difficult as standing a needle on its point. But even if there is anyone wise enough to determine this point in advance (allowing for changes in the market values of the metals brought about through the act), the whole experience of the past shows us that with one metal or the other the free coinage thus secured would in a short time be merely nominal. A slight change in the commercial value of the metals would again, as it has before, drive one or the other of them out of use.

I think that it must be conceded to the bimetallic theory that where both metals may be legally used as the unit of value, there is a steadying influence exerted on the world value of both, for, where one of the two metals becomes relatively less valuable, it infallibly drives out the other, and this greater use of the least valuable metal tends to the increase of its value and the decrease in the value of the metal displaced. But is it wise, especially when international agreement is hopeless, if not futile, for us to purchase this advantage for the world at the cost of constant and perpetual changes in our own measure of value and medium of exchange—of constant and inevitable fluctuation from one metal to the other?

Yet whatever may be said for the theory of bimetallism, it should be clearly kept in mind that the Sherman act is not bimetallism. It is an attempt to keep up the value of silver, not by permitting its greater use when it is, under the ratio, the cheaper metal, but by buying it up and storing it away, issuing against it certificates or Treasury notes which are in reality obligations to pay gold, and which bear to-day not a silver, but a gold value. And this is the real character of all of Mr. Bland's amendments now under discussion. None of them really proposes the free coinage of silver pure and simple, but, instead of

that, unlimited Government purchase at the option of the seller. Even were we thus to provide in the Government a customer at \$1.29 an ounce in gold for all the silver offered, we would still be on a gold basis, debts would not be paid more easily, and prices would not increase. We should only be purchasing at a fixed price all the silver presented. We might, so long as we would and could afford to stand the expense, keep gold and silver in this way at their old parity, just as a strong government that should offer to exchange a bushel of wheat for a bushel of corn might, by an unlimited buying of corn, keep corn and wheat at a parity.

We might thus raise the price of silver bullion all over the world, and keep it up so long as our people would consent to bear the cost of the losing investment. But sooner or later the crash would come, and when the day of reckoning arrived it would be found that the taxpayer must lose the difference between the price at which the Government had been purchasing silver and its true commercial level. Such propositions are not for free coinage, but for forced coinage, the force which might for a time artificially keep up the value of silver being the force of the tax-gatherer, exerted upon the working masses of the United States to take from them the products of their labor. They are not bi-metallism—they are silver purchase run mad.

Let me repeat. None of the substitutes for the Sherman act proposes free coinage. What they propose would amount under existing laws and rulings simply to continued and unlimited purchase. What has been during all these years the effect of the attempt to get silver into circulation by any less drastic measure than that of reducing our unit of value to the silver level? What has become of all the silver dollars we have coined and the silver bullion we have bought? It remains in the Treasury vaults—all except the small portion that has been forced upon an unwilling people by refusing to them the small notes they would prefer.

The paper currency nominally issued on the basis of our hoarded silver is not in reality issued upon it at all. It is really issued upon the credit of the nation, and circulates upon the basis of

the understanding, expressed or implied, that it is to be accepted by the Treasury and in payment of all public dues on an equal value with gold. The public credit, which gives these silver notes their circulation, derives nothing at all from the tons of idle silver with which our treasuries are gorged. Instead of strengthening the credit of the United States the tendency of this useless locking up of a depreciating commodity has been but to weaken it; first, by putting an unnecessary tax on the people, and, second, by giving ground to the fear of an impending change in our measure of value.

That we can not have a really free coinage of silver without ultimately driving out gold is shown not only by our own experience, but by the experience of the world. But even with the injuries that would attend this, it does not seem to me that there would really be much increase in the actual use of silver, and consequently much appreciation of its commercial value. It is the use of a commodity as an actual medium of exchange, not as an ideal measure of value, that affects the demand for it and consequently its commercial value. And the plain and indisputable fact is that, except for small change, our people do not like silver, and that for all the uses of small change they do not like it even for that.

In the progress of civilization we have to a very large extent got past the using of silver and even gold for currency, and prefer paper as more convenient. To reduce our currency to a silver basis does not mean that people would be content to carry around silver to much, if any, greater extent than they do now. It would mainly mean that the paper which we have become accustomed to use both as money and as substitutes for money would represent a silver value instead of a gold, and it is the conscious or unconscious recognition of this which causes the advocates of silver to always include in their real proposition some proposal for silver certificates; and up to the present the so-called silver certificates which the free-silver men have had issued, or have proposed to issue, have been certificates really payable in gold.

In considering the question before us, let us frankly and hon-

estly face the main issue—that of a change in the unit of value. Are we ready to change our measure of value—the unit on which all our transactions and contracts and obligations and estimates are based? This is the real heart of the question.

If it were a fresh question—that is to say, if it were unembarrassed by existing habits and agreements—it might be open to debate.

I am free to confess that it is not clear to me that gold possesses any advantage over silver as a unit of value. As well as I can make out in the confusion of evidence, I am inclined to think that silver has maintained a more constant relation with commodities generally than has gold—that is to say, that its change with regard to them has been less than that of gold. But we are now on a gold basis, and, with the exception of the interlude of depreciation which began with the war and continued for some time after it, we have been on a gold basis since 1834. Why should we change?

Sentimentality on such a subject is nonsense. Gold is not, as thought by some, the God-ordained measure of value, and there is no proof that it was designed by nature to be the money of the world. Nor should we decide on silver because our forefathers at any time used it, or because of what some are pleased to call the injustice that has been done to that noble metal. Injustice is not done to metals, but to men. It may be worth while to quote against the eloquence of the "friends of silver" the similar eloquence of that staunch Democrat, Thomas H. Benton, in favor of the act of 1834, which restored gold to use in the United States and virtually drove silver out of the country. He said the object of the bill was—

To enable the friends of gold to go to work at the right place to effect the recovery of that precious metal which their fathers once possessed, which the subjects of European kings now possess, which the citizens of the young republics to the south all possess, which even the free negroes of San Domingo possess, but of which the yeomanry of this America have been deprived for more than twenty years.

But all such fine speaking or fine writing, while it may captivate the unthinking, is really idle. The question of money is simply the question of the best tool of exchange. As to this we

have at least this light: Not only did the people of the United States deliberately and to their own satisfaction change in 1834 from a unit of silver to a unit of gold, and subsequently, and for obvious public convenience, reduce silver to the only place it can permanently occupy in order to concurrently circulate with gold, that of a token money, but the same change has during this century been carried out by nearly all civilized nations. It is too much to attribute this general movement to a mere conspiracy. Its steadiness and universality are much more indicative of a general demand caused by the needs of a larger commerce and a more complex industry.

Just as copper, which was at first the unit of value among the Romans and other nations, gave way in time to silver, so now it seems that silver is giving away to gold, and gold, at least as a medium of exchange, is giving way to paper. This growth in the use of paper seems to me a sufficient answer to the fears that the exclusive use of gold as a unit of value will so increase the demand for it as to abnormally raise its value.

It is clear that the use of gold as a unit of value does not necessarily involve the actual use of gold as a medium of exchange, or even as a reserve. Canada, for instance, maintains her paper money on a parity with gold, yet has neither a gold issue nor mints to coin it. This is surely a sufficient answer to those who claim that there is not gold enough in the world to furnish a sufficient basis for credit. It shows how far the use of the substitutes for gold can be carried.

The favorite argument of those who advocate a change is as to its effect on prices. This is the most captivating form of presenting the question, but it will not bear careful analysis. The question of price is one with which the Government should have no concern, further than that of preventing general fluctuation by changes in the unit of value. It is not the proper function of government to legislate with reference as to prices. It is a form of paternalism that all free-traders should condemn. An appreciation of the unit of value, of course, lowers prices, as depreciation raises them.

But, except where there is debt, this makes no difference, for

a change of prices caused by depreciation or appreciation in the unit of value affects all prices alike, and does not change relative values. If a mere change in the unit of value gives the farmer \$2 a bushel for his grain where before he only got \$1, the \$2 give him no greater command over commodities than the \$1 did before. The change is a change only in expression.

If there was anything in the argument that increased prices means increased purchasing power, and that sellers are the only ones to be considered, we ought not to stop with the doubling of prices, but should at once inaugurate a system that would make wheat worth \$10 a bushel in money instead of \$2, or rather so increase our currency that money would bear the same relation to commodities that it did at the close of the Revolution or in the last day, of the Southern Confederacy.

That there are temporary differences in the demand for money I am well aware, and that we are suffering to-day from a temporary scarcity in the supply of actual currency, caused by the curtailment of credits and a general distrust that has led to the hoarding instead of the circulation of money, is too obvious for argument. But in a bill to establish an interconvertibility between United States bonds and Treasury notes which I introduced at the last session of Congress, and a still simpler and more quickly effective measure of the same kind which I have introduced in this, I have endeavored to put into practical form what I believe to be the quickest, safest, and most efficient mode of putting an end to the currency famine and giving elasticity to our present currency.

While the difference in general prices caused by the greater or less value of money makes no difference as between buyer and seller—while no matter what be the medium or tool of exchange, the purpose and end of exchange is the transfer of commodities or services for commodities or services—the depreciation or appreciation of money does make a great difference as between borrower and lender in regard to the transactions entered into upon a different monetary basis.

Where it has been agreed that debt shall be paid in dollars, that it would be greatly to the interest of the debtor to have

dollars become cheap, no one doubts, and so it is likewise to the interest of the creditor to have money appreciate and dollars become dear. But it should be the aim of the legislator to maintain, as near as possible, a constant measure, so as to deal honestly and fairly between these interests, and a proposition to now change our legal measure of value by accepting silver at any ratio less than its commercial parity is a proposition to destroy the validity of contracts and to wantonly exert the legislative power to injure some citizens and help others. It would be as unfair and dishonest to the creditor classes of the country as was the appreciation of the unit of values existing between 1865 and 1879 to the debtor classes.

It is true that even the free coinage of silver at 16 to 1 would not scale down the national debt. That, we have rightly or wrongly agreed, is to be paid principal and interest in gold. Nor will it in the vast majority of cases do any harm to the holders of mortgages or bring any relief to mortgagees, for these also are in most cases protected by specific contracts for the payment of gold. And this also is true of the greater number of obligations held in large amounts. But it would work injury to national and individual credit and to the public morals, and those who condemn the appreciation of the unit of value as a measure of injustice should be equally prompt and clear in denouncing its depreciation.

Whatever of error or injustice comes from natural changes in the unit of value once selected is excusable, but a wanton change from one unit to another that will thus affect the relations of debtor and creditor can not be justified on any ethical ground, nor yet on any ground of expediency.

In our own history we have seen the evils of such change. The record of our national life begins with it in the burdens imposed and evils wrought by the depreciation and final repudiation of the continental money. We of this generation know how disastrous was the depreciation of our standard of value during the war, and the subsequent injustice worked in coming back from a lower to a higher standard of value. Why should we wantonly take that road again? We have a good currency in the credit

of the national Government—a credit sustained by great sacrifices and which has shown its strength even under the present stress.

One of the most striking features in what has recently happened is the reversal of the predictions made that gold would go to a premium, when it is, in fact, the paper currency of the Government, and not gold, that is most demanded and is selling at above par. Let us maintain that currency and improve it by giving it a feature of interconvertibility, and not, by suddenly changing the unit of value, bring about a shock of which no one can tell the full results.

Any forcing of the use of silver, like the forcing of the use of gold instead of paper money, is an obstacle to trade and impairs the usefulness of our currency as a tool of exchange. Absolute constancy in the value of money or of anything else is unattainable, but the true rule should be that where a government undertakes to furnish the circulating medium of the people it should provide, first, the utmost possible constancy in its measure of value, and should at least scrupulously refrain from wantonly changing it; second, convenience as to the form and character of its primary and secondary money, being controlled by the wishes of the user as to whether it should be paper or coin; and, third, furnishing a sufficient volume to perform comfortably its office, providing some feature of automatic flexibility, so that the needs of trade and not the guesses of legislative bodies shall control its amount.

We should keep clearly in mind the functions properly under governmental management, and avoid all subjects over which the legislature of a free people should properly have no control. Much of our distress comes from confusion in men's minds as to where to draw this line. While it is entirely in keeping with democratic institutions that the Government should issue money, it is no part of the functions of government to go into the banking business.

The reason for the governmental control of the mints and the furnishing of a circulating medium is that the interests of the people are thus best served. That is a business in which com-

petition can not enter except at a sacrifice of utility. But the banking business, the receiving and safely caring for deposits, conducting exchange, loaning money, is a business in which competition does exist, and which, therefore, should not be undertaken by Government agents. Necessary regulation and supervision of banking seems to be a step in the right direction and the proper subject of still further legislation.

I am deeply anxious to get this money question out of the way, that we may turn our attention to far more vital things. The three branches of the National Government stand pledged before the people to the abolition of the protective features of the tariff. We ought not to lose a day nor an hour in redeeming our pledge.

To strike off the shackles which protectionism has imposed upon production and trade, to strike down the trusts and monopolies which it has built up, would do more to open the factories and give relief, and create a demand for the products of mine and farm, than any amount of tinkering with the finances. And for that permanent relief which would do away with industrial depressions, which will end the strife between labor and capital, which will secure to all men their full share in the opportunities offered by nature and the improvements made by an advancing civilization, we can only look to a measure to which the advance of free trade leads, and which is its final culmination—that great measure popularly called the single tax. [Applause.]

[Here the hammer fell.]

